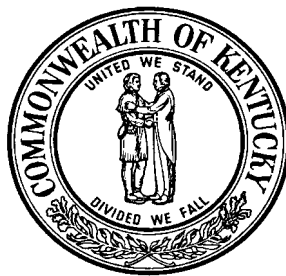


**REPORT OF THE AUDIT OF THE  
HOPKINS COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2009**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administrative Cabinet  
Honorable Donald E. Carroll, Hopkins County Judge/Executive  
Members of the Hopkins County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hopkins County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated Hopkins County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen  
Auditor of Pubic Accounts

Enclosure





## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE HOPKINS COUNTY FISCAL COURT**

**June 30, 2009**

Tichenor & Associates, LLP has completed the audit of the Hopkins County Fiscal Court for the fiscal year ended June 30, 2009. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Hopkins County, Kentucky. We have also issued a qualified opinion, based on our audit and the report of the other auditors, on the discretely presented component unit.

#### **Financial Condition:**

The fiscal court had net assets of \$15,735,062 as of June 30, 2009. The fiscal court had unrestricted net assets of \$8,021,306 in its governmental activities as of June 30, 2009, with total net assets of \$15,619,289. In its business-type activities, total net cash and cash equivalents were \$47,538 with total net assets of \$115,773. The fiscal court's discretely presented component unit had unrestricted net assets of \$399,667 as of June 30, 2009, with total net assets of \$403,308. The fiscal court had total debt principal as of June 30, 2009 of \$10,089,315 with \$2,314,315 due within the next year.

#### **Deposits:**

The fiscal court's deposits as of August 31, 2008 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$2,022,938

As of June 30, 2009, all deposits of the discretely presented component unit were covered by FDIC or a properly executed collateral security agreement.



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**TICHENOR & ASSOCIATES, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

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To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Donald E. Carroll, Hopkins County Judge/Executive

Members of the Hopkins County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate fund information of Hopkins County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Hopkins County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Hopkins County Tourist and Convention Commission, a discretely presented component unit, which represent 100% of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hopkins County Tourist and Convention Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

As described in Note 1, Hopkins County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements of the Hopkins County Tourist and Convention Commission, a discretely presented component unit, are prepared in accordance with the accrual basis of accounting and therefore include certain accruals required by accounting principles generally accepted in the United States of America that are not presented in accordance with the modified cash basis. The amounts by which these accruals affect the financial statements are as follows:

- 11% increase in total assets, 100% increase in liabilities, 27% increase in revenues, and 13% increase in expenses.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Donald E. Carroll, Hopkins County Judge/Executive  
Members of the Hopkins County Fiscal Court

In our opinion, based upon on our audit and the report of the other auditors, except for the effects of such adjustments, if any, as might have been determined had the Hopkins County Tourist and Convention Commission been prepared using the same basis of accounting as Hopkins County, Kentucky, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit of Hopkins County, Kentucky as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hopkins County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flow, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting.

The County has chosen not to present the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated October 22, 2009 on our consideration of Hopkins County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and is important for assessing the results of our audit.

Respectfully submitted,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP  
Certified Public Accountants

October 22, 2009

HOPKINS COUNTY OFFICIALS

For The Year Ended June 30, 2009

**Fiscal Court Members:**

Donald E. Carroll	County Judge/Executive
Karol Welch	Magistrate
William Groves	Magistrate
Tim Riggs	Magistrate
Larry Wilson	Magistrate
Wilma Rogers	Magistrate
Mike Duncan	Magistrate
Wesley Lynn	Magistrate

**Other Elected Officials:**

J. Todd P'Pool	County Attorney
Joe Blue	Jailer
Devra Steckler	County Clerk
Carolyn Polley	Circuit Court Clerk
Frank Latham	Sheriff
Margaret Brown	Property Valuation Administrator
Dennis Mayfield	Coroner

**Appointed Personnel:**

Cindy Jones	County Treasurer
Betty Arison	Jail Administrative Assistant

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**HOPKINS COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2009**



**HOPKINS COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2009**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>	<b>Hopkins County Tourist And Convention Commission</b>
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 8,021,306	\$ 47,538	\$ 8,068,844	\$ 369,658
Receivables (net of allowances)				44,348
Assets Held For Resale	412,000		412,000	
Total Current Assets	8,433,306	47,538	8,480,844	414,006
Noncurrent Assets:				
Capital Assets - Net of Accumulated Depreciation				
Construction In Progress	162,310		162,310	
Land and Land Improvements	1,430,047		1,430,047	
Buildings	9,423,116		9,423,116	
Other Equipment	1,477,090	33,926	1,511,016	3,641
Vehicles and Equipment	515,913	34,309	550,222	
Infrastructure	4,266,822		4,266,822	
Total Noncurrent Assets	17,275,298	68,235	17,343,533	3,641
Total Assets	25,708,604	115,773	25,824,377	417,647
<b>LIABILITIES</b>				
Current Liabilities:				
Payroll Liabilities				579
Due to Hopkins Co. Fair, Inc.				13,760
Financing Obligation	412,000		412,000	
Bonds Payable	645,000		645,000	
Bond Anticipation Notes	1,257,315		1,257,315	
Total Current Liabilities	2,314,315		2,314,315	14,339
Noncurrent Liabilities:				
Bonds Payable	7,775,000		7,775,000	
Total Noncurrent Liabilities	7,775,000		7,775,000	
Total Liabilities	10,089,315		10,089,315	14,339
<b>NET ASSETS</b>				
Invested in Capital Assets,				
Net of Related Debt	7,597,983	68,235	7,666,218	3,641
Restricted For:				
Other Purposes		5,960	5,960	
Unrestricted	8,021,306	41,578	8,062,884	399,667
Total Net Assets	\$ 15,619,289	\$ 115,773	\$ 15,735,062	\$ 403,308

The accompanying notes are an integral part of the financial statements.

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**HOPKINS COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2009**

**HOPKINS COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 7,209,104	\$ 69,893	\$ 655,606	\$
Protection to Persons and Property	4,538,575	2,707,534	509,242	
General Health and Sanitation	1,203,830	135,435	10,170	
Social Services	2,374,347			
Recreation and Culture	292,808		2,757,211	
Roads	1,293,208	1,142	4,507,257	
Debt Service	356,000			
Capital Projects	852,013			
Total Governmental Activities	18,119,885	2,914,004	8,439,486	
Business-type Activities:				
Jail Canteen	428,170	391,642		
Total Business-type Activities	428,170	391,642		
Total Primary Government	\$ 18,548,055	\$ 3,305,646	\$ 8,439,486	\$ 0
<b>Component Unit:</b>				
Hopkins County Tourist and				
Convention Commission	\$ 107,514	\$	\$ 33,483	\$
Total Component Unit	\$ 107,514	\$ 0	\$ 33,483	\$ 0

**General Revenues:**

Taxes:

Real Property Taxes  
Personal Property Taxes  
Motor Vehicle Taxes  
Insurance Premium Tax  
Excess Fees  
Transient Room Tax  
Other Taxes

Interest

Miscellaneous Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**HOPKINS COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2009**  
**(Continued)**

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Totals	Hopkins County Tourist and Convention Commission
\$ (6,483,605)	\$	\$ (6,483,605)	\$
(1,321,799)		(1,321,799)	
(1,058,225)		(1,058,225)	
(2,374,347)		(2,374,347)	
2,464,403		2,464,403	
3,215,191		3,215,191	
(356,000)		(356,000)	
(852,013)		(852,013)	
(6,766,395)		(6,766,395)	
	(36,528)	(36,528)	
	(36,528)	(36,528)	
(6,766,395)	(36,528)	(6,802,923)	
			(74,031)
			(74,031)
2,308,942		2,308,942	
357,286		357,286	
263,623		263,623	
2,184,734		2,184,734	
2,014,329		2,014,329	
888,525		888,525	162,788
134,483		134,483	4,033
554,025		554,025	
			(117,000)
8,705,947		8,705,947	49,821
1,939,552	(36,528)	1,903,024	(24,210)
13,679,737	152,301	13,832,038	427,518
\$ 15,619,289	\$ 115,773	\$ 15,735,062	\$ 403,308

The accompanying notes are an integral part of the financial statements.

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**HOPKINS COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2009**

**HOPKINS COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2009**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,159,964	\$ 707,942	\$ 594,118	\$ 764,092
Total Assets	<u>3,159,964</u>	<u>707,942</u>	<u>594,118</u>	<u>764,092</u>
<b>FUND BALANCES</b>				
Reserved				
Encumbrances	17,989	41,937	17,042	40,431
Unreserved:				
General Fund	3,141,975			
Special Revenue Funds		666,005	577,076	723,661
Total Fund Balances	<u>\$ 3,159,964</u>	<u>\$ 707,942</u>	<u>\$ 594,118</u>	<u>\$ 764,092</u>

The accompanying notes are an integral part of the financial statements.

**HOPKINS COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2009**  
**(Continued)**

<b>Contingency Fund</b>	<b>Non-Major Fund Judicial Center Construction Fund</b>	<b>Total Governmental Funds</b>
<u>\$ 2,743,571</u>	<u>\$ 51,619</u>	<u>\$ 8,021,306</u>
<u>2,743,571</u>	<u>51,619</u>	<u>8,021,306</u>
		117,399
		3,141,975
<u>2,743,571</u>	<u>51,619</u>	<u>4,761,932</u>
<u>\$ 2,743,571</u>	<u>\$ 51,619</u>	<u>\$ 8,021,306</u>

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 8,021,306
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds.	25,616,405
Accumulated Depreciation	(8,341,107)
Assets Held for Resale	412,000
Debt Is Not Due and Payable in the Current Period and, Therefore, is not Reported in the Funds.	
Financing Obligations	(412,000)
Bond Anticipation Notes	(1,257,315)
Bonds	<u>(8,420,000)</u>
Net Assets of Governmental Activities	<u>\$ 15,619,289</u>

The accompanying notes are an integral part of the financial statements.

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**HOPKINS COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

**HOPKINS COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>REVENUES</b>				
Taxes	\$ 5,955,732	\$	\$	\$
Licenses and Permits	69,893			1,230
Intergovernmental	2,717,313	2,575,249	3,014,369	4,699,389
Charges for Services			202,407	134,205
Miscellaneous	255,278	12,471	174,320	113,098
Interest	41,459	8,670	4,070	9,925
Total Revenues	<u>9,039,675</u>	<u>2,596,390</u>	<u>3,395,166</u>	<u>4,957,847</u>
<b>EXPENDITURES</b>				
General Government	3,710,914			474,450
Protection to Persons and Property	340,214		3,566,238	296,897
General Health and Sanitation	82,691			1,097,934
Social Services	91,234			2,281,713
Recreation and Culture	12,847			279,961
Roads		1,714,462		193,107
Debt Service		16,271	951,391	
Capital Projects	116	851,896		
Administration	1,513,433	357,457	921,182	171,327
Total Expenditures	<u>5,751,449</u>	<u>2,940,086</u>	<u>5,438,811</u>	<u>4,795,389</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>3,288,226</u>	<u>(343,696)</u>	<u>(2,043,645)</u>	<u>162,458</u>
<b>Other Financing Sources (Uses)</b>				
Debt Issuance				
Transfers from Other Funds		800,000	1,950,000	
Transfers to Other Funds	(2,750,000)			
Total Other Financing Sources (Uses)	<u>(2,750,000)</u>	<u>800,000</u>	<u>1,950,000</u>	
Net Change in Fund Balances	538,226	456,304	(93,645)	162,458
Fund Balances - Beginning	2,621,738	251,638	687,763	601,634
Fund Balances - Ending	<u>\$ 3,159,964</u>	<u>\$ 707,942</u>	<u>\$ 594,118</u>	<u>\$ 764,092</u>

The accompanying notes are an integral part of the financial statements.

**HOPKINS COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2009**  
**(Continued)**

<b>Contingency Fund</b>	<b>Non-Major Fund Judicial Center Construction Fund</b>	<b>Total Governmental Funds</b>
\$	\$	\$ 5,955,732
		71,123
		13,006,320
		336,612
		555,167
70,359		134,483
<u>70,359</u>		<u>20,059,437</u>
		4,185,364
		4,203,349
		1,180,625
		2,372,947
		292,808
		1,907,569
	8,338	976,000
	1,185,858	2,037,870
		2,963,399
	<u>1,194,196</u>	<u>20,119,931</u>
<u>70,359</u>	<u>(1,194,196)</u>	<u>(60,494)</u>
	1,245,815	1,245,815
		2,750,000
		(2,750,000)
	<u>1,245,815</u>	<u>1,245,815</u>
70,359	51,619	1,185,321
2,673,212		6,835,985
<u>\$ 2,743,571</u>	<u>\$ 51,619</u>	<u>\$ 8,021,306</u>

The accompanying notes are an integral part of the financial statements.

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**HOPKINS COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**HOPKINS COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

Net Change in Fund Balances - Total Governmental Funds	\$ 1,185,321
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Costs of Those Assets are Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.	
Capital Outlay	2,699,109
Depreciation Expense	(1,259,256)
Assets Disposed Of, Net Book Value	(59,807)
The Issuance of Debt (e.g. Bonds, Financing Obligations) Provides Current Financial Resources to Governmental Funds, While Repayment of Principal on Debt Consumes Current Financial Resources of Governmental Funds. These Transactions, However, have no Effect on Net Assets.	
Debt Issuance Proceeds	(1,245,815)
Bond Principal Payments	<u>620,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 1,939,552</u></u>

The accompanying notes are an integral part of the financial statements.

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**HOPKINS COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2009**



**HOPKINS COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2009**

	<b>Business-Type Activities - Enterprise Fund</b>	<b>Jail Canteen Fund</b>
<b>Assets</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 47,538	
Total Current Assets	<u>47,538</u>	
Noncurrent Assets:		
Capital Assets:		
Vehicles and Equipment	84,323	
Other Equipment	53,220	
Less Accumulated Depreciation	<u>(69,308)</u>	
Total Noncurrent Assets	<u>68,235</u>	
Total Assets	<u>115,773</u>	
<b>Net Assets</b>		
Invested in Capital Assets,		
Net of Related Debt	68,235	
Restricted	5,960	
Unrestricted	<u>41,578</u>	
Total Net Assets	<u>\$ 115,773</u>	

The accompanying notes are an integral part of the financial statements.

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**HOPKINS COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**HOPKINS COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 373,335
Total Operating Revenues	<u>373,335</u>
<b>Operating Expenses</b>	
Cost of Sales	233,764
Educational and Recreational	20,428
Depreciation	35,352
Personal Costs	60,468
Miscellaneous	13,976
Total Operating Expenses	<u>363,988</u>
Operating Income (Loss)	<u>9,347</u>
<b>Nonoperating Revenues (Expenses)</b>	
Inmate Pay from State	18,307
Inmate Refunds	(50,637)
Loss on Disposal	<u>(13,545)</u>
Total Nonoperating Revenues (Expenses)	<u>(45,875)</u>
Change in Net Assets	(36,528)
Total Net Assets - Beginning	<u>152,301</u>
Total Net Assets - Ending	<u><u>\$ 115,773</u></u>

The accompanying notes are an integral part of the financial statements.

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**HOPKINS COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**HOPKINS COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>	
Receipts from Customers	\$ 373,335
Cost of Sales	(233,764)
Educational and Recreational	(20,428)
Personal Costs	(60,468)
Miscellaneous	(13,976)
Net Cash Provided by Operating Activities	<u>44,699</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Inmate Pay from State	18,307
Inmate Refunds on Accounts	(50,637)
Net Cash (Used) by Noncapital Financing Activities	<u>(32,330)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Capital Assets Purchased	(15,977)
Net Cash (Used) by Capital and Related Financing Activities	<u>(15,977)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,608)
Cash and Cash Equivalents - July 1, 2008	<u>51,146</u>
Cash and Cash Equivalents - June 30, 2009	<u><u>\$ 47,538</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income (Loss)	\$ 9,347
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	<u>35,352</u>
Net Cash Provided by Operating Activities	<u><u>\$ 44,699</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

The Hopkins County Tourist and Convention Commission is a discretely presented component unit of Hopkins County, Kentucky and its financial statements are presented in accordance with the accrual basis of accounting. Under this basis of accounting, revenues and expenses are recorded when earned or incurred without regard to the timing of cash.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Hopkins County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

**Discretely Presented Component Unit**

The financial data of the Hopkins County Tourist and Convention Commission is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize this organization's separateness from the Fiscal Court's primary government.

**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Discretely Presented Component Unit (Continued)

Hopkins County Tourist and Convention Commission

Hopkins County Fiscal Court established the Hopkins County Tourist and Convention Commission pursuant to KRS 91A.350(2) for the purpose of promoting tourism and convention activity in Hopkins County. The Hopkins County Tourist and Convention Commission board is composed of seven members appointed by the Hopkins County Fiscal Court from the local hotel and motel industries, the local restaurant industries, the local chamber of commerce and one at large member. The Hopkins County Tourist and Convention Commission's governing body is substantially different from the Fiscal Court. However, the Hopkins County Tourist and Convention Commission is fiscally dependent on the Fiscal Court because the Fiscal Court controls its major source of revenue. The Hopkins County Tourist and Convention Commission's major source of revenue is transient room tax. The Hopkins County Fiscal Court enacted a transient room tax ordinance on January 16, 2003.

The Fiscal Court currently imposes a 4% tax for the rent for every occupancy of a suite, room or rooms, charged by all persons, companies, corporations or other like or similar persons, groups, or organizations doing business as motor courts, motels, hotels, inns, or other like or similar accommodation businesses. Due to this fiscal dependency the Fiscal Court has included the Hopkins County Tourist and Convention Commission as a component unit. The Hopkins County Tourist and Convention Commission is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court; therefore, the financial activity of the Hopkins County Tourist and Convention Commission is presented discretely.

Audited financial statements for the Hopkins County Tourist and Convention Commission, a discretely presented component unit, may be requested by contacting the Hopkins County Fiscal Court.

**C. Hopkins County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Hopkins County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Hopkins County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**HOPKINS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for general health and sanitation, social services and economic assistance expenses of the county. The primary sources of revenue are state grants, coal and mineral severances taxes, landfill user's fees, and recreational area user fees. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Contingency Fund - The primary purpose of this fund is to annually set aside some investments for future contingencies.

The primary government also has the following non-major fund: Judicial Center Construction Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, and Contingency Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Capital Projects Fund:**

The Judicial Center Construction Fund is presented as a Capital Projects Fund and is used to account for construction costs of the Hopkins County Judicial Center.

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.



**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Proprietary Funds (Continued)**

**Enterprise Fund**

The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Presentation Of Component Unit**

Detailed presentations of the financial statements for the Hopkins County Tourist and Convention Commission, a major discretely presented component unit of the Hopkins County Fiscal Court, are available from the separately issued financial statements of the Hopkins County Tourist and Convention Commission.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets (Continued)**

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	25,000	10-75
Furniture and Fixtures	2,500	3-25
Machinery and Equipment	2,500	3-25
Vehicles	2,500	3-25
Infrastructure	20,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**J. Related Organizations, Joint Venture, and Jointly Governed Organizations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. The primary government's accountability for related organizations does not extend beyond making appointments. Based on these criteria, there are no related organizations of Hopkins County Fiscal Court.

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Based upon these criteria, there are no joint ventures of the Hopkins County Fiscal Court.

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based on these criteria, the following is considered a jointly governed organization of Hopkins County Fiscal Court: Hopkins County Joint Planning Commission.

**Note 2. Deposits**

The primary government and its discretely presented component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the primary government or its discretely presented component unit and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 2. Deposits (Continued)**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution's failure, the primary government's or its discretely presented component unit's deposits may not be returned. The primary government and its discretely presented component unit do not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, the primary government's deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of August 31, 2008, \$2,022,938 of the primary government's public funds were exposed to custodial credit risk because the bank did not adequately collateralize the primary government's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$2,022,938

As of June 30, 2009, all deposits of the discretely presented component unit were covered by FDIC or a properly executed collateral security agreement.

**Note 3. Assets Held For Resale**

Assets held for resale activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Assets Held for Resale	<u>\$ 412,000</u>	<u>\$</u>	<u>\$</u>	<u>\$ 412,000</u>
Governmental Activities				
Assets Held for Resale	<u>\$ 412,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 412,000</u>

**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 4. Capital Assets**

Capital asset activity of the primary government for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Restated Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 406,500	\$1,023,547	\$	\$ 1,430,047
Construction In Progress		162,310		162,310
Total Capital Assets Not Being Depreciated	406,500	1,185,857		1,592,357
Capital Assets, Being Depreciated:				
Buildings	13,242,161			13,242,161
Other Equipment	3,505,353	401,571	(395,718)	3,511,206
Vehicles and Equipment	1,380,285	101,019	(63,492)	1,417,812
Infrastructure	4,842,207	1,010,662		5,852,869
Total Capital Assets Being Depreciated	22,970,006	1,513,252	(459,210)	24,024,048
Less Accumulated Depreciation For:				
Buildings	(3,478,564)	(340,481)		(3,819,045)
Other Equipment	(2,065,701)	(315,628)	347,213	(2,034,116)
Vehicles and Equipment	(793,174)	(160,915)	52,190	(901,899)
Infrastructure	(1,143,815)	(442,232)		(1,586,047)
Total Accumulated Depreciation	(7,481,254)	(1,259,256)	399,403	(8,341,107)
Total Capital Assets, Being Depreciated, Net	15,488,752	253,996	(59,807)	15,682,941
Governmental Activities Capital Assets, Net	<u>\$15,895,252</u>	<u>\$1,439,853</u>	<u>\$ (59,807)</u>	<u>\$17,275,298</u>

**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 4. Capital Assets (Continued)**

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 120,579	\$	\$ (36,256)	\$ 84,323
Other Equipment	40,566	21,976	(9,322)	53,220
Total Capital Assets Being Depreciated	161,145	21,976	(45,578)	137,543
Less Accumulated Depreciation For:				
Vehicles and Equipment	(49,177)	(25,007)	24,170	(50,014)
Other Equipment	(10,813)	(10,345)	1,864	(19,294)
Total Accumulated Depreciation	(59,990)	(35,352)	26,034	(69,308)
Total Capital Assets, Being Depreciated, Net	101,155	(13,376)	(19,544)	68,235
Business-Type Activities Capital Assets, Net	<u>\$ 101,155</u>	<u>\$ (13,376)</u>	<u>\$ (19,544)</u>	<u>\$ 68,235</u>

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 216,642
Protection to Persons and Property	419,050
General Health and Sanitation	43,200
Social Services	1,400
Roads, Including Depreciation of General Infrastructure Assets	<u>578,964</u>
Total Depreciation Expense - Governmental Activities	<u>\$1,259,256</u>
<u>Business-Type Activities</u>	
Jail Canteen	<u>\$ 35,352</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 35,352</u>

**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 4. Capital Assets (Continued)**

Capital asset activity of the discretely presented component unit for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Discretely Presented Component Unit</u>				
Capital Assets, Being Depreciated:				
Other Equipment	\$ 6,648	\$	\$	\$ 6,648
Total Capital Assets Being Depreciated	6,648			6,648
Less Accumulated Depreciation For:				
Other Equipment	(1,677)	(1,330)		(3,007)
Total Accumulated Depreciation	(1,677)	(1,330)		(3,007)
Total Capital Assets, Being Depreciated, Net	4,971	(1,330)		3,641
Governmental Activities Capital Assets, Net	\$ 4,971	\$ (1,330)	\$ 0	\$ 3,641

Depreciation expense was charged to the discretely presented component unit as follows:

Hopkins County Tourist and Convention Commission	<u>\$ 1,330</u>
Total Depreciation Expense	<u>\$ 1,330</u>

**Note 5. Short-term Debt**

**A. Mack Trucks**

In April 2008, the county entered into a financial agreement with the Kentucky Association Of Counties for \$412,000 at a rate of 3.948% to finance the purchase of four Mack Trucks. The agreement was extended for one year due to poor market conditions. As of June 30, 2009, the outstanding principal balance was \$412,000, which will be due by June 20, 2010.

**B. Changes In Short-term Liabilities**

Short-term liability activity of the primary government for the year ended June 30, 2009, was as follows:

**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 5. Short-term Debt (Continued)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
Financial Obligations	\$ 412,000	\$	\$	\$ 412,000	\$ 412,000
Governmental Activities Short-term Liabilities	<u>\$ 412,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 412,000</u>	<u>\$ 412,000</u>

**Note 6. Long-term Debt**

**A. General Obligation Refunding Bonds, Series 2005**

The fiscal court issued obligations, dated June 1, 2005 and payable in 15 annual installments beginning February 1, 2006, and semi-annual interest payments on the first of February and August at varying rate from 3% to 4%. The fiscal court issued the bonds for the purpose of advanced refunding of all outstanding County of Hopkins, Kentucky General Obligation bonds (Detention Facility Project), Series 2000 and paying the associated costs of issuing the bonds. As of June 30, 2009, bonds outstanding were \$8,420,000. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 645,000	\$ 312,775
2011	665,000	292,619
2012	685,000	271,006
2013	705,000	247,888
2014	730,000	223,213
2015 - 2019	4,075,000	681,350
2020	<u>915,000</u>	<u>36,600</u>
Totals	<u>\$ 8,420,000</u>	<u>\$ 2,065,451</u>



**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**B. General Obligation Bond Anticipation Notes, Series 2008**

On April 22, 2008, the Hopkins County Fiscal Court approved an ordinance authorizing and approving the issuance of General Obligation Bond Anticipation Notes, Series 2008 in the amount of \$5,000,000. The purpose of these bonds is to provide interim financing for the construction of a Judicial Center located in Hopkins County, Kentucky. On June 23, 2008, the Hopkins County Fiscal Court issued the General Obligation Bonds Anticipation Notes, Series 2008 in the amount of \$5,000,000. Advances are made on an as needed basis. The maturity date of the note is May 1, 2010 and bears 3.19% interest. As of June 30, 2009, \$1,257,315 has been received for reimbursement of costs related to the Judicial Center.

**C. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 9,040,000	\$	\$ 620,000	\$ 8,420,000	\$ 645,000
Bond Anticipation Notes, Series 2008	11,500	1,245,815		1,257,315	1,257,315
Governmental Activities					
Long-term Liabilities	<u>\$ 9,051,500</u>	<u>\$1,245,815</u>	<u>\$ 620,000</u>	<u>\$ 9,677,315</u>	<u>\$1,902,315</u>

**D. General Obligation Bonds, Series 2000**

On June 1, 2005, the Hopkins County Fiscal Court advance refunded the General Obligation Bonds, Series 2000 issued for the Detention Facility Project. Payments due on and after this date were paid from the escrow account. The bonds will be called on February 1, 2020. Total bonds outstanding as of June 30, 2009 totaled \$7,855,000. As of June 30, 2009, the escrow account had a balance of \$8,065,500.

**Note 7. Interest On Long-term Debt and Short-term Financing Obligations**

Debt Service on the Statement of Activities includes \$16,271 in interest on financing obligations, \$331,391 in interest on bonds and notes, and \$8,338 in interest on a construction loan.

**Note 8. Commitments and Contingencies**

**A. Ambulance Service Contract**

The Medical Center Ambulance Service, Incorporated (MCAS) operates under a lease with Hopkins County. The term of the lease is for one year, and such lease is automatically renewed on a year-to-year basis unless terminated by one of the parties. Under the terms of the lease, the county is required to furnish the necessary number of ambulances required for the operation of the ambulance service and is to reimburse MCAS for the support of the County. MCAS has agreed to provide suitable and necessary ambulance service on a twenty-four hour basis to the residents of Hopkins County and to other persons requiring such service while in Hopkins County.

**HOPKINS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)**

**Note 8. Commitments and Contingencies (Continued)**

**A. Ambulance Service Contract (Continued)**

Under the lease agreement between MCAS and Hopkins County, the county has agreed to reimburse MCAS during the term of the lease for losses incurred in its' operation. The county's obligation is limited to the amount budgeted in any given year. The amount included in the budget may not go below \$66,272. MCAS records such subsidy as a reduction of the excess of expenses over revenues in the year in which such excess expenses incurred.

**B. Hopkins County Regional Landfill**

The Hopkins County Regional Landfill operates under a verbal agreement with Hopkins County. The term of the agreement is for one year, and is automatically renewed on a year-to-year basis unless terminated by one of the parties. Under the terms of the agreement, the Hopkins County Regional Landfill is to provide waste management services for the county and the citizens of Hopkins County, Kentucky. The Hopkins County Regional Landfill has also agreed to pay licensing fees to the county as mandated in ordinance 2006-10. As of June 30, 2009 both parties were in compliance with this agreement.

**Note 9. Employee Retirement System**

The primary government has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan benefits. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 29.50 percent. The county contributed \$372,337 for non-hazardous employees and \$595,852 for hazardous employees during fiscal year 2007; and \$455,022 for non-hazardous employees and \$730,635 for hazardous employees during fiscal year 2008 and \$376,544 for non-hazardous employees and \$713,765 for hazardous employees during fiscal year 2009.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 10. Deferred Compensation**

On February 24, 2000, the Hopkins County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

**HOPKINS COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 10. Deferred Compensation (Continued)**

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 11. Insurance**

For the fiscal year ended June 30, 2009, Hopkins County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 12. Subsequent Event**

On September 15, 2009, the Hopkins County Fiscal Court approved the South Main Sewer Project Agreement between the Hopkins County Fiscal Court and the City of Madisonville to install sanitary sewer service to Forest Acres, Dozier Heights, and Wesco Drive areas of Hopkins County. The Hopkins County Fiscal Court would be responsible to pay \$110,000 per year for a period of 20 years to assist in the payment of a portion of the debt service incurred by the City associated with the loan for the construction of the sanitary sewer service.

**Note 13. Prior Year Adjustments**

Beginning Net Assets Of Governmental Activities has been restated for errors made in recording of the capital assets. The effect of this change is a net increase of \$1,605.

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**HOPKINS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**



**HOPKINS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2009**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 5,478,800	\$ 5,478,800	\$ 5,955,732	\$ 476,932
Licenses and Permits	83,000	83,000	69,893	(13,107)
Intergovernmental Revenue	2,881,330	2,881,330	2,717,313	(164,017)
Miscellaneous	53,100	143,100	255,278	112,178
Interest	90,000	90,000	41,459	(48,541)
Total Revenues	8,586,230	8,676,230	9,039,675	363,445
<b>EXPENDITURES</b>				
General Government	3,775,765	4,043,468	3,710,914	332,554
Protection to Persons and Property	607,213	433,181	340,214	92,967
General Health and Sanitation	84,550	84,550	82,691	1,859
Social Services	102,214	102,214	91,234	10,980
Recreation and Culture	20,200	20,200	12,847	7,353
Capital Projects	10,000	10,000	116	9,884
Administration	2,220,426	2,216,755	1,513,433	703,322
Total Expenditures	6,820,368	6,910,368	5,751,449	1,158,919
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	1,765,862	1,765,862	3,288,226	1,522,364
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to Other Funds	(3,615,862)	(3,615,862)	(2,750,000)	865,862
Total Other Financing Sources (Uses)	(3,615,862)	(3,615,862)	(2,750,000)	865,862
Net Changes in Fund Balance	(1,850,000)	(1,850,000)	538,226	2,388,226
Fund Balance - Beginning	1,850,000	1,850,000	2,621,738	771,738
Fund Balance - Ending	\$ 0	\$ 0	\$ 3,159,964	\$ 3,159,964

**HOPKINS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 4,145,806	\$ 4,145,806	\$ 2,575,249	\$ (1,570,557)
Miscellaneous	337,300	337,300	12,471	(324,829)
Interest	15,000	15,000	8,670	(6,330)
Total Revenues	4,498,106	4,498,106	2,596,390	(1,901,716)
<b>EXPENDITURES</b>				
Roads	3,428,126	3,468,126	1,714,462	1,753,664
Debt	433,000	433,000	16,271	416,729
Capital Projects	1,800,820	1,800,820	851,896	948,924
Administration	423,600	383,600	357,457	26,143
Total Expenditures	6,085,546	6,085,546	2,940,086	3,145,460
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,587,440)	(1,587,440)	(343,696)	1,243,744
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	1,387,440	1,387,440	800,000	(587,440)
Total Other Financing Sources (Uses)	1,387,440	1,387,440	800,000	(587,440)
Net Changes in Fund Balance	(200,000)	(200,000)	456,304	656,304
Fund Balance - Beginning	200,000	200,000	251,638	51,638
Fund Balance - Ending	\$ 0	\$ 0	\$ 707,942	\$ 707,942



**HOPKINS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 3,147,700	\$ 3,207,661	\$ 3,014,369	\$ (193,292)
Charges for Services	163,600	163,600	202,407	38,807
Miscellaneous	180,000	180,000	174,320	(5,680)
Interest	18,000	18,000	4,070	(13,930)
Total Revenues	3,509,300	3,569,261	3,395,166	(174,095)
<b>EXPENDITURES</b>				
Protection to Persons and Property	3,793,991	3,893,852	3,566,238	327,614
Debt Service	951,380	951,391	951,391	
Administration	1,021,025	981,114	921,182	59,932
Total Expenditures	5,766,396	5,826,357	5,438,811	387,546
Excess (Deficiency) of Revenues Over Expenditures before Other Financing Sources (Uses)	(2,257,096)	(2,257,096)	(2,043,645)	213,451
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Other Funds	1,957,096	1,957,096	1,950,000	(7,096)
Total Other Financing Sources (Uses)	1,957,096	1,957,096	1,950,000	(7,096)
Net Changes in Fund Balance	(300,000)	(300,000)	(93,645)	206,355
Fund Balance - Beginning	300,000	300,000	687,763	387,763
Fund Balance - Ending	\$ 0	\$ 0	\$ 594,118	\$ 594,118

**HOPKINS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and Permits	\$ 1,000	\$ 1,000	\$ 1,230	\$ 230
Intergovernmental Revenue	5,785,750	5,785,750	4,699,389	(1,086,361)
Charges for Services	121,000	121,000	134,205	13,205
Miscellaneous	76,300	76,300	113,098	36,798
Interest	20,000	20,000	9,925	(10,075)
Total Revenues	6,004,050	6,004,050	4,957,847	(1,046,203)
<b>EXPENDITURES</b>				
General Government	474,450	474,450	474,450	
Protection to Persons and Property	310,000	310,000	296,897	13,103
General Health and Sanitation	1,366,326	1,376,326	1,097,934	278,392
Social Services	3,236,000	3,236,000	2,281,713	954,287
Recreation and Culture	634,600	634,600	279,961	354,639
Roads	480,000	480,000	193,107	286,893
Administration	224,000	214,000	171,327	42,673
Total Expenditures	6,725,376	6,725,376	4,795,389	1,929,987
Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources (Uses)	(721,326)	(721,326)	162,458	883,784
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	271,326	271,326		(271,326)
Total Other Financing Sources (Uses)	271,326	271,326		(271,326)
Net Changes in Fund Balances	(450,000)	(450,000)	162,458	612,458
Fund Balances - Beginning	450,000	450,000	601,634	151,634
Fund Balances - Ending	\$ 0	\$ 0	\$ 764,092	\$ 764,092

**HOPKINS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

	<b>CONTINGENCY FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Interest	\$ 100,000	\$ 100,000	\$ 70,359	\$ (29,641)
Total Revenues	100,000	100,000	70,359	(29,641)
<b>EXPENDITURES</b>				
Administration	2,770,000	2,770,000		2,770,000
Total Expenditures	2,770,000	2,770,000		2,770,000
Net Changes in Fund Balances	(2,670,000)	(2,670,000)	70,359	2,740,359
Fund Balances - Beginning	2,670,000	2,670,000	2,673,212	3,212
Fund Balances - Ending	\$ 0	\$ 0	\$ 2,743,571	\$ 2,743,571

**HOPKINS COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2009**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



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E-MAIL: wtichenor@tichenorassociates.com

The Honorable Donald E. Carroll, Hopkins County Judge/Executive  
Members of the Hopkins County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hopkins County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated October 22, 2009, wherein we issued a qualified opinion on the discretely presented component unit for a different basis of accounting. Our report was modified to include a reference to other auditors. Hopkins County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. This report does not include the results of the other auditor's testing of internal control over financial reporting on compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hopkins County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hopkins County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hopkins County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Hopkins County's financial statements as of and for the year ended June 30, 2009, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP  
Certified Public Accountants

October 22, 2009



**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**HOPKINS COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2009**



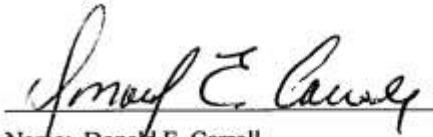
**CERTIFICATION OF COMPLIANCE**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

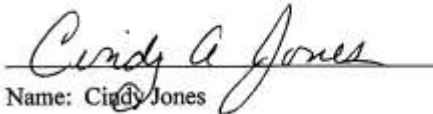
**HOPKINS COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2009**

The Hopkins County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended, as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in black ink, appearing to read "Donald E. Carroll", written over a horizontal line.

Name: Donald E. Carroll  
County Judge/Executive

A handwritten signature in black ink, appearing to read "Cindy A. Jones", written over a horizontal line.

Name: Cindy Jones  
County Treasurer

